Supreme Court, U.S.
FILED

No. 04-1646 JUN 6 2005

OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

PMI PHOTOMAGIC, LTD.,
Petitioner,

v.

FOTO FANTASY, INC. d/b/a FANTASY ENTERTAINMENT
and AMERICAN PHOTO BOOTHS, INC.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

1. Must a court decide the meaning of claims under *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 116 S.Ct. 1384 (1996) prior to trial in the absence of a finding that there are open issues or questions to be litigated in order to properly construe the claims.

2. May a court disregard a party's concession of infringement?

3. Is it manifestly unjust for a court to hold that it would not consider any evidence of inequitable conduct and then base its decision on a finding of inequitable conduct?

RULE 29.6 LISTING

Photo-Me International, PLC is a publicly traded company on the London Stock Exchange and is the parent company for PMI Photomagic, Ltd.

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PETITION FOR A WRIT OF CERTIORARI FROM THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Photomagic PMI respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (App., *infra*, 3a) and the orders of the district court (App., *infra*, 6a) are unreported.

JURISDICTION

The court of appeals entered its judgment on March 8, 2005. App., *infra*, 3a. The court of appeals denied the petition for rehearing en banc on April 21, 2005. App., *infra*, 1a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

APPLICABLE LAW (CONSTITUTIONAL PROVISIONS AND STATUTES)

U.S. Const. art. I, § 8, cl. 8. Patents and Copyrights:

The Congress shall have Power...To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;

35 U.S.C. § 102. Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States

35 U.S.C. § 112. Specification

¶ 2 The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

¶ 6 An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

35 U.S.C. § 282 Presumption of validity; defenses

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. Notwithstanding the preceding sentence, if a claim to a composition of matter is held invalid and that claim was the basis of a determination of nonobviousness under section 103(b)(1), the process shall no longer be considered nonobvious solely on the basis of section 103(b)(1). The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

(4) Any other fact or act made a defense by this title.

In actions involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Court of Federal Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires. Invalidity of the extension of a patent term or any portion thereof under section 154(b) or 156 of this title because of the material failure—

(1) by the applicant for the extension, or

(2) by the Director,

to comply with the requirements of such section shall be a defense in any action involving the infringement of a patent during the period of the extension of its term and shall be pleaded. A due diligence determination under section 156(d)(2) is not subject to review in such an action.

STATEMENT OF THE CASE

This case arises out of a dispute between Petitioner, Photomagic PMI, Ltd. ("Photomagic"), and Respondent, Foto Fantasy, Inc. ("Foto Fantasy"), over the accused infringement of U.S. Patent No. 5,539,453 ("the '453 Patent") by Foto Fantasy.

Photomagic filed this patent infringement case against Foto Fantasy on June 19, 1999 in the U.S. District Court for the Northern District of Texas pursuant to 28 U.S.C. § 1338(a). Photomagic sought damages for patent infringement and requested injunctive relief.

The invention claimed in the '453 Patent[1] is an apparatus described as a "photographic self-portrait installation, such as an automated photo booth" that creates distinctive fun photos. The apparatus combines two distinct images, including an image of the user and a user-selected digitally-stored image to form a "montage" for printing. The claims are directed to an apparatus that places the user's image "in the background" with the location of the digitized image in the "foreground."

Foto Fantasy manufactures and sells several types of photo booths, which Photomagic contends infringe claims 1-4, 7-11, 13 and 17 of the '453 Patent both literally and under the doctrine of equivalents. It is undisputed that each of the accused devices creates a fun photo or "montage" where the user appears behind a digitized foreground image to create a three-dimensional looking picture.

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[1] The '453 Patent issued on July 25, 1996, from a U.S. application serial No. 08/211,271, filed on July 11, 1994. The U.S. application was a national stage application of international patent application PCT/GB92/01679 filed pursuant to 35 U.S.C. § 371.

This is the second appeal from the trial court involving claims construction of this patent. In the first appeal, the court of appeals for the Federal Circuit reversed, vacated, and remanded the trial courts original decision, finding that the trial court had improperly narrowed the construction of claim 1 by importing limitations from the specifications into the claim language.

In light of the clearly conflicting claim interpretations presented by the parties, Photomagic requested that the claims be construed by the trial court prior to a trial on the merits. On September 11, 2003, the trial court held a pretrial conference. The court denied Photomagic's request for a claims construction hearing in advance of trial and also struck the defense of inequitable conduct from the pleadings.

The trial was held on September 15-18, 2003. At trial, the court heard testimony regarding infringement, invalidity, and damages. On March 31, 2004, the trial court issued its Finding of Fact and Conclusions of Law. The court announced its decision regarding the construction of the claims at this time, approximately six months after the trial on the merits. The court construed the terms "foreground" and "background" as "respectively, in the front and in the back, and do not require any particular degree of separation, depth of field, or differentiation between images."

The trial court construed claim 1 of the '453 Patent broadly; so broadly, in fact, that claim 1 now reads onto prior art inventions that were cited in the patent and identified in the file history. Based on this overly broad interpretation of claim 1, the trial court concluded that "Claim 1 is invalid because defendants proved by clear and convincing evidence that [claim 1] was anticipated and/or rendered obvious by the prior art." This is the same prior are previously considered by the Patent Examiner. The court also found the patent to be unenforceable due to inequitable conduct.

The trial court rendered inconsistent rulings on infringement. In the area of damages, the trial court found no evidence of any lost profits, failing to recognize that Photomagic was seeking a reasonable royalty. Furthermore, the court found that the patent was unenforceable due to inequitable conduct after inequitable conduct was stricken as a defense at the final pretrial conference.

Photomagic filed its appeal brief with the Court of Appeals for the Federal Circuit on August 19, 2004. The Court of Appeals affirmed the decision of the trial court without opinion on March 8, 2005. Photomagic requested a rehearing en banc. This request was denied on April 21, 2005.

ARGUMENT FOR GRANTING THE PETITION

I. THE PANEL DECISION IS CONTRARY TO UNITED STATES AND FEDERAL COURT PRECEDENT.

A. CLAIM ELEMENTS SHOULD BE CONSTRUED ACCORDING TO THEIR ORDINARY AND ACCUSTOMED MEANING AS UNDERSTOOD BY PERSONS SKILLED IN THE RELEVANT ART.

Construction of claims is a question of law that is reviewed de novo. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998). When construing patent claims, the court should first look to "the intrinsic evidence of record, i.e. the patent itself, including the claims, the specification and, if in evidence, the prosecution history." *CCS Fitness, Inc. v. Brunswick Corp.*, 288 F.3d 1359, 1366 (Fed. Cir. 2002).

At the heart of claim construction is the language used in the claims themselves. Therefore, the analytical focus of claim construction must remain on the words the patentee chose in claiming his invention. *NTP, Inc. v. Research in Motion, Ltd.*, 392 F.3d 1366, 1346 (Fed. Cir. 2004). In fact, Congress implemented this principle by requiring that each patentee "particularly point out and distinctly claim the subject matter which the patentee regards as his invention." 35 U.S.C. § 112, ¶ 2.[2]

There is a "heavy presumption" that a claim term bears its ordinary and customary meaning. *Gart v. Logitech, Inc.*, 254 F.3d 1334, 1331 (Fed. Cir. 2001). Unless the patentee indicates that the terms are being used in a novel way, the words used in the claim "take on the full breadth of

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[2] *See Digital Biometrics Inc. v. Identix, Inc.*, 149 F.3d 1335, 1344 (Fed Cir. 1998) ("the actual words of the claim are the controlling focus.")

the ordinary and customary meanings attributed to them by those of ordinary skill in the art." *Teleflex, Inc. v. Ficose N. AM. Corp.*, 299 F.3d 1313, 1325 (Fed. Cir. 2002).

A court can determine what this ordinary and customary meaning is by reviewing a variety of sources including: the claims themselves, dictionaries, treatises, as well as the specification, drawings, and prosecution history. *NTP, Inc.*, 392 F.3d at 1346, *supra*.

The district court and the panel failed to follow this well established and controlling precedent by disregarding the customary meaning of the terms "foreground" and "background," which, when used in conjunction necessitate a depth of field. The lower court found that these terms "do not require any particular degree of separation, depth of field, or differentiation between images." App, *infra*, 21a.

The court's construction is not in accordance with the definitions used by those of ordinary skill in the relevant art. This arbitrary construction is inconsistent with definitions and descriptions of the words "foreground" and "background" contained in dictionaries, encyclopedias and technical journals of photography that were available at the time of invention to those of ordinary skill in the related art and which were introduced at trial.[3]

[3] See, e.g., Trial Exhibit 22, defining background as "visible, usually at a distance, behind the subject."

B. CLAIMS SHOULD BE CONSTRUED TO SUSTAIN THEIR VALIDITY AND A COURT SHOULD NEITHER BROADEN NOR NARROW CLAIMS TO GIVE A PATENTEE SOMETHING OTHER THAN WHAT HE HAS SET FORTH.

When a patent is granted by the PTO, it bears a presumption of validity.[4] 35 U.S.C. § 282. During litigation, the patent "claims should be so construed, if possible, as to sustain their validity." *ACS Hospital System, Inc.*, 732 F.2d 1572, 1577 (Fed. Cir. 1984). This is a well established axiom, which is consistently applied.[5]

Furthermore, courts should attempt to avoid judicial rewriting of claims. *Rhine v. Casio, Inc.*, 183 F.3d 1342, 1345 (Fed. Cir. 1999). The law is clear that "courts can neither broaden nor narrow the claims to give the patentee something different than what he has set forth." *Autogiro Co. of Am. v. United States*, 384 F.2d 391, 396 (Ct. Cl. 1967). As previously stated by this court, "it is unjust to the public, as well as an evasion of the law, to construe [a claim] in a manner different from the plain import of its terms." *White v.*

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[4] This presumption applies to the patent as a whole. *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367 (Fed. Cir. 1986). This presumption must be overcome by clear and convincing evidence. *Checkpoint Systems, Inc. v. U.S. Int'l Trade Comm'n*, 54 F.3d 756 (Fed. Cir. 1995). Foto Fantasy completely failed to overcome this presumption at trial. So as a matter of law, the district court failed to construe the '453 Patent properly.

[5] The axiom traces its origin to two Supreme Court cases. *See Turrill v. Michigan Southern & Northern Indiana Railroad*, 68 U.S.(1 Wall.) 491, 510 (1863)(patents "are to receive a liberal construction, and under the fair application of the rule, *ut res magis valeat quam pereat*, are if practicable to be so interpreted as to uphold and not destroy the right of the inventor.") *and see Klein v. Russell*, 86 U.S.(19 Wall.) 433 (1873)(courts "should proceed in a liberal spirit, so as to sustain the patent and the construction claimed by the patentee himself, if this can be done consistently with the language which he has employed.")

Dunbar, 119 U.S. 47, 52 (1886); *Interactive Gift Express, Inc. v. CompuServe, Inc.*, 256 F.3d 1323, 1336 (Fed. Cir. 2001).

The district court's construction of the '453 Patent claims is inconsistent with the policy and rule of law preventing judges from narrowing or broadening claims. In this instance, rather than narrowing the claims[6], the district court improperly broadened the definition of "foreground" and "background" by finding that the terms "do not require any particular degree of separation, depth of field or differentiation between images." If the district court had construed the claims to the meaning consistent with the understanding of people of skill in the relevant art, then the validity of claim 1 would have been properly sustained.

C. COURTS SHOULD NOT IMPOSE FUNCTIONAL LIMITATIONS NOT FOUND IN THE CLAIM OR IMPOSE STRUCTURAL LIMITATIONS DIFFERENT FROM THE WRITTEN DESCRIPTION THAT ARE UNNECESSARY TO PERFORM THE CLAIMED FUNCTION.

An element of a claim may be recited using means-plus-function language. 35 U.S.C. § 112, ¶ 6. A means plus function element recites the function to be performed as opposed to a definite structure or materials required to perform that function. *Lockheed Martin Corp. v. Space Systems*, 324 F.3d 1308, 1318 (Fed. Cir. 2003). A means-plus-function element must be construed to cover the corresponding structure, material, or acts described in the specification and its equivalents. *Id.*

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[6] On an earlier appeal in the same case, the district court was criticized for narrowing the claims in its construction.

In construing a means plus function element of a claim the court should first identify the claimed function. *Id.* Then the court should identify the structures disclosed in the written description of the invention which provide the "means" for performing the identified function. *Id.* The claimed function may not be improperly narrowed or broadened by the court beyond the scope of the *claim language*; in other words, the element is not limited to the means identified in the written description, but rather includes that means plus its equivalents. *Id.* Equivalents are determined by identifying the element in the specification and comparing it to the accused devise to determine if the accused device uses the element or a structural equivalent to perform the claimed function. *Valmont Industries, Inc. v. Reinke Manufacturing Co.*, 983 F.2d 1039, 1042 (Fed. Cir. 1993).

In this case, the means for storing a frozen real time image must be construed in light of the claim language and specification of the '453 Patent. Because the claim element is written using means-plus function language, the claim is interpreted to include *both* elements recited in the specification and the equivalents thereof. *Id.*

The panel ignored this well established precedent, affirming the district court's finding that the video printer in the written description is *the* "means for storing." This construction is inconsistent with the rules of claim construction. "[A] court may not import functional limitations that are not recited in the claim, or structural limitations from the written description that are unnecessary to perform the claimed function." Wenger Mfg., Inc. v. Coating Machinery Systems, Inc., 239 F.3d 1225, 1233 (Fed. Cir. 2001).

The function recited in the claim is the storage of a frozen real time image. A video printer is unnecessary to

perform this function. In fact, a video printer alone cannot store the frozen real time image recited in claim 1. This was not an issue in dispute at trial. Foto Fantasy's own representative, Yefim Massarsky, confirmed this at trial. Furthermore, because the means-plus-function language also encompasses equivalents of recited elements, the court should have determined whether the element in the accused device was an equivalent of the means recited in the specification.

II. THIS CASE IS IMPORTANT BECAUSE IT REQUIRES AN ANSWER TO PRECEDENT SETTING QUESTIONS OF EXCEPTIONAL IMPORTANCE

A. MUST A COURT DECIDE THE MEANING OF CLAIMS PRIOR TO TRIAL IN THE ABSENCE OF A FINDING THAT THERE ARE OPEN ISSUES OR QUESTIONS TO BE LITIGATED IN ORDER TO PROPERLY CONSTRUE CLAIMS?

Claim construction is a matter of law for the court. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388, 116 S.Ct. 1384, 1395 (1996). This determination is made at what has come to be known as a "*Markman* hearing." In this case, the district court refused to conduct a *Markman* hearing to construe the claims before the trial.

The court's refusal to construe the claims before or during the trial created an unfair and prejudicial situation that forced Photomagic to tailor its infringement and validity argument to accommodate two very different claim constructions. Although the terms used in the claim are clear and unambiguous, at trial Foto Fantasy advanced a theory of claim construction that essentially eliminated any meaning from the terms "foreground" and "background."

Photomagic should not have been forced to argue infringement and validity issues before the court construed the claims. Because the trial court refused to construe the claims in light of the vastly different claim constructions, Photomagic was unduly prejudiced.

The district court made no findings that there were any open issues or questions to be litigated, which is a prerequisite for deferring the construction of patent claims. *See Intern. Comm. Materials, Inc. v. Ricoh Co., Ltd.*, 108 F.3d 316, 318 (Fed. Cir. 1997).[7] In this case, there were no open issues or questions to be litigated relating to claim construction. By refusing to conduct the *Markman* hearing, the district court unnecessarily confused the issues and ultimately came to a distorted conclusion. Furthermore, this prejudiced Photomagic in the presentation of its case.

We respectfully request that this court rule that if a *Markman* hearing is requested, unless the district court makes a specific finding that there are open issues and that information related to claim construction is incomplete, the court must hold a *Markman* hearing and decide the meaning of claims prior to a trial on the merits.

B. MAY A COURT DISREGARD A PARTY'S CONCESSION OF INFRINGEMENT?

At trial, Foto Fantasy conceded infringement of the '453 Patent. This concession was made in open court in response to a direct question from the bench. Despite this concession, the district court found that "the accused device infringes all elements of claim 1 ***except*** for the means for

[7] Because the district court found that there were substantial open issues, including claim interpretation, and questions that needed to be litigated before a finding of infringement could be made, it was proper to defer determination of the meaning of patent claims until after preliminary injunction stage. *Intern. Comm. Materials*, 108 F.3d at 318.

storing a frozen real time image." (emphasis added). There is no explanation in the record for this finding. The concession made by Foto Fantasy at trial should have been enough to prove infringement.

A district court should not be allowed to disregard a party's concession and discovery responses in order to fashion a determination to its own liking, completely removed from the reality of the facts or the applicable law.

C. Is it Manifestly Unjust for a Court to Hold that it Would Not Consider any Evidence of Inequitable Conduct and then Base its Decision on a Finding of Inequitable Conduct?

At the pretrial conference held in September of 2003, counsel stipulated that it was not proceeding on the basis of inequitable conduct. At that time, the district court ruled that it would not entertain an inequitable conduct defense at trial. The court further struck provisions from the Joint Pretrial Order relating to inequitable conduct, crossing them out on the document and placing her initials next to the stricken provisions.

Despite the stipulation and the record reflecting that the defense was stricken, inequitable conduct was cited in the district court's Finding of Fact and Conclusions of Law[8] as a

[8] Despite the obvious prejudice to Photomagic in first disallowing the defense and then relying upon it as a basis for invalidating the patent, the finding itself is not viable because it is based solely on the testimony of Foto Fantasy's President Yefim Massarsky. Massarsky's testimony alone is inadequate to establish inequitable conduct. "Throughout the history of the determination of patent rights, oral testimony by an alleged inventor asserting priority over a patentee's rights is regarded with skepticism." *Price v. Symsek*, 988 F.2d 1187, 1194 (Fed. Cir. 1993). Massarsky's credibility is testifying on this matter is clearly in question and cannot be a valid basis for proving inequitable conduct by clear and convincing

basis for invalidating the patent. Basing the judgment on inequitable conduct after clearly stating that it would not be considered at trial is an abuse of discretion. Photomagic was clearly prejudiced by this abuse of discretion and should be entitled to a reversal of the decision.

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evidence. *See id.* ("without some type of corroborating evidence, an alleged inventor's testimony cannot satisfy the 'clear and convincing evidence' standard.")

CONCLUSION

Based upon the reasons set forth herein, the Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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Counsel for Petitioner

June 3, 2005

APPENDIX

APPENDIX

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

04-1362,-1363

PMI PHOTOMAGIC, LTD.,

Plaintiff-Appellant,

v.

FOTO FANTASY, INC.
(doing business as Fantasy Entertainment, Inc.)
and AMERICAN PHOTO BOOTHS, INC.

Defendants-Cross Appellants.

ORDER

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ORDER

A petition for rehearing en banc having been filed by the APPELLANT, and the matter having first been referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on April 21, 2005.

FOR THE COURT,

/s/ Jan Horbaly
Clerk

Dated: April 14, 2005

cc: Stephen A. Kennedy
Alexander Y. Thomas

PMI PHOTOMAGIC V FOTO FANTASY, 04-1362, - 1363
(DCT - 3:99-CV-1356)

NOTE: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

04-1362,-1363

PMI PHOTOMAGIC, LTD.,

Plaintiff-Appellant,

v.

FOTO FANTASY, INC.
(doing business as Fantasy Entertainment, Inc.)
and AMERICAN PHOTO BOOTHS, INC.

Defendants-Cross Appellants.

JUDGMENT

ON APPEAL from the UNITED STATES DISTRICT COURT NORTH DISTRICT OF TEXAS

In CASE NO(S). 3:99-CV-1356

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

PER CURIAM (LOURIE, CLEVENGER, and PROST, Circuit Judges):

AFFIRMED. See Fed. Cir. R. 36

ENTERED BY ORDER OF THE COURT

DATED: _____ _____

/s/ JAN HORBALY, CLERK

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

NOTICE OF ENTRY OF JUDGMENT WITHOUT OPINION

JUDGMENT ENTERED: 03/08/05

The judgment of the court in your case was entered today pursuant to Rule 36. This Court affirmed the judgment or decision that was appealed. None of the relief sought in the appeal was granted. No opinion accompanied the judgment. The mandate will be issued in due course.

Information is also Provided about petitions for rehearing and suggestions for rehearing en banc. The questions and answers are those frequently asked and answered by the Clerk's Office.

No costs were taxed in this appeal.

Exhibits and visual aids shall be promptly retrieved by the party that lodged them with this court.

/s/ JAN HORBALY
Clerk

cc: Stephen A. Kennedy
Alexander Y. Thomas

PMI PHOTOMAGIC V FOTO FANTASY, 04-1362
(DCT ND/TX - 3:99-CV-1356)

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

PMI PHOTOMAGIC, LTD.,	)	
Plaintiff,	)	
	)	Civil Action No.
	)	3:99-CV-1 356-M
V.	)	
FOTO FANTASY, INC.	)	
d/b/a FANTASY	)	
ENTERTAINMENT and	)	
AMERICAN PHOTO	)	
BOOTHS, INC.,	)	
Defendants.	)	

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This case was tried to the Court on September 15-18, 2003, and in connection therewith, the Court enters the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Defendant Foto Fantasy, Inc. ("Foto Fantasy") started developing and operating its own operator-controlled photographic systems in 1987 and beginning in 1989, developed, sold and operated automatic photo booths.

2. On or about February 19, 1999, Foto Fantasy bought all of the shares of American Photo Booths, Inc. ("APBI"). While APBI continues as a corporate entity, it has held no assets nor had any business operations since its shares were purchased by Foto Fantasy. APBI was not merged with Foto Fantasy.

3. In 1986, Yefim Massarsky ("Massarsky"), Foto Fantasy's founder, purchased a digital photography system made and sold by a company called A-Teck FL, Inc. (the "A-Teck system").

4. Massarsky, doing business as Foto Fantasy, operated the A-Teck system publicly and for profit on numerous occasions. For example, on December 20, 1986, Massarsky operated and sold fantasy photographs to the public from a push cart in the Arsenal Mall, in Watertown, Massachusetts, using the A-Teck system.

5. In December 1986, the A-Teck system included: a video camera for viewing the customer, a monitor that reproduced a real time image of the customer as a background on the monitor screen; a computer that controlled the operation of the system; a memory store of computer digitized, or "fantasy" images; means to create and store a frozen real-time image of the customer; means to interface the memory store with both the real time and frozen image of the customer; means to select a computer digitized image; another monitor that displayed a composite of a customer-created frozen real time image as a background and a customer-selected computer-digitized image from the memory store as a foreground; and a printer for printing the composite. The digitized images used by the A-Teck system covered portions of the customer's image.

6. In 1987, Foto Fantasy developed and operated its own manual system for combining a stored image and a video image. The manual system included a video camera, computer, monitors and printer. In that system, digital images were stored on floppy disks. The operator would select a floppy disk with a desired image and load the image into the computer. The operator would position the video camera to view the customer. A real time image of the customer would then appear on the monitor with a selected digital image, The

operator could move the camera and/or subject to position the user image relative to the digital image. The operator would then "freeze" the image on the monitor and could print the frozen image of the customer with the digitized image.

7. In September 1989, Foto Fantasy entered into a contract with a company owned by Sam Attenberg for the development of electronic imaging photographic installations. These devices included, among other things: an AT 286 computer, a Targa video adapter, custom software, two color monitors; a video camera; and a printout device. The software was developed by Foto Fantasy based upon the software for the Foto Fantasy manual system. The first printout device selected was a Kodak thermal printer.

8. Pursuant to the agreement with Attenberg, devices were constructed and shipped in approximately October, 1989. They were installed and put into operation at the Smithsonian Institution in Washington, D.C.. The first device was installed on December 2, 1989 at the Smithsonian's National Museum of American History ("the Smithsonian"), and Massarsky received a check in payment for it. The devices installed at the Smithsonian included a video camera, a computer, two monitors, and stored digitized images. The customer could see his or her live and frozen image behind stored foreground images and then the customer could print the composite using the thermal printer. An example of a stored image was two panda bears eating a bamboo plant. If that image was selected, parts of the bamboo plant would appear in front of the customer's image.

9. In the device used at the Smithsonian, if the customer moved his or her head too far one way or the other, the customer's image would be obscured on the monitor and on the printed image behind the stored foreground image. The Smithsonian devices did not use video enhancers, because they were unnecessary, and did not use a mirror

between the camera and its line of sight to the user; rather, a direct view system was used, whereby the camera pointed directly at the user.

10. In the Smithsonian installation, when a button was pressed, the software would load the selected image from the hard drive of the computer into the display memory of the Targa board, which was set to overlay mode. Since the Targa board was in overlay mode, the two monitors displayed a composite image, with five video. The user would then press a button on the control panel to capture the image. If the user was satisfied with the image, the user would press a button to have it printed. Otherwise, the user would press the "freeze/unfreeze" button to return to the overlay mode.

11. The installations in the Smithsonian placed the customer in the background of the picture behind the stored, digitized image, which appeared in front of the customer, or in the foreground of the picture. For example, the installations at the Smithsonian in 1988-90 created a photograph that showed a user between then President Bush and Vice President Quayle, with a shoulder of the President and Vice President appearing in front of the image of the booth user.

12. Foto Fantasy currently manufactures, sells and operates several different types of photographic installations. Those alleged to infringe can be broadly described as color photo booths and multi-function booths.

13. Over time, Foto Fantasy has upgraded the components in its photo booths. Although various changes and upgrades have occurred since it placed its Ladybug system in the Arsenal Mall in July 1991, the basic operation of the booths has remained the same. In the images produced by those machines, the user is depicted in the back, or

background, and the fantasy image is in the front, or foreground.

14. Foto Fantasy's current means for combining the live and frozen image of the customer with a digitized, fantasy image in front of the user is functionally identical to the means used in its first manual commercial system in 1987, and in the automated booths placed in the Smithsonian.

15. U.S. Patent No. 5,539,453 ("the '453 patent") was issued to Plaintiff PMI Photomagic ("Plaintiff" or "Photomagic") on July 23, 1996. The '453 patent issued from an application originally filed under the Patent Cooperation Treaty ("PCT") on September 14, 1992. The '453 patent claimed priority to two United Kingdom applications filed on September 28, 1991 and March 23, 1992. The critical date for purposes of 35 U.S.C. § 102(a) is the earliest foreign application date - September 28, 1991. For 35 U.S.C. § 102(b), the critical date is September 14, 1991, one year before the date of the U.S. filing.

16. The Plaintiff claims that the Defendants' devices infringe Claims 1-4, 7-11, 13 and 17 of the '453 Patent. Claim 1 is an independent claim. All of the other claims asserted are dependent on Claim 1.

17. The alleged point of novelty of the '453 patent the composite showing the customer in the background, and a stored, digitized image as a foreground. This alleged novelty was distinguished by the inventors over prior an on the basis that such prior art could only produce a composite photograph with the image of the subject user as a foreground and the digitized image as the background. In light of the fact that prior art, including the Smithsonian examples, depict users behind a digitized image, the Plaintiff claims that the use of the terms background and foreground in Claim 1 convey the concept of "depth of field."

18. Yehuda Hecht, Dan David, Roy Kemp, Seth Aaronson and Yefim Massarsky are all persons skilled in the relevant art within the meaning of 35 U.S.C. § 112, first paragraph, because they had hands on experience with the art of photo-imaging and/or digital photography and the combining of real images with fantasy images.

19. "Depth of field" in a photographic booth can be affected by the choice of a particular lens, die aperture setting and the lighting. A narrow depth of field makes the area that is in focus of the subject shallow; that is, a very small area, so that the background of the image would be out of focus.

20. The '453 patent makes no reference to the term "depth of field."

21. The '453 patent makes no reference to the selection of lenses.

22. No mention of lighting in the '453 patent relates to the concept of depth of field.

23. The '453 patent makes no reference to the size of lens apertures.

24. The Plaintiff did not satisfy its burden of proving that the words "background" and "foreground" in Claim 1 incorporated the concept of depth of field or any particular amount of differentiation between the front and back. As long as the eye perceives a spatial difference, a foreground and background would be present. Plaintiff did not meet its burden of proving that background and foreground were used in the patent in any technical sense at variance with the common understandings of those terms - which are the back and the front, respectively.

25. The remaining elements of Claim 1 are construed as follows:

(a) A video camera,

(b) A first monitor for reproducing a real time image of the user as a background on the monitor screen,

(c) A computer that controls the operations of the machine,

(d) A memory store of preselected computer digitized images,

(e) Means for storing a frozen real time image (described in the specification as a video printer),

(f) Means for interfacing the memory store with the real time image for display on a monitor and/or means for interfacing the memory store with a frozen real time image for display on a monitor (described in the specification as a plurality of computer digitized images held within a computer and set or released by control keys on the computer keyboard),

(g) Means for creating a frozen real time image (described in the specification as a memory control button connected to the video printer for causing the frozen real time image to be stored),

(h) Means for selecting a computer-digitized image (described in the specification as a continuous and sequential display of the digitized images, controlled by the computer, which is stopped by the user),

(i) A second monitor for displaying a composite of a user-created frozen real time image and at least one user-selected digitized image from the memory store as a foreground, where the user is in the background and the digitized image is in the foreground, and

(j) A printer for printing the composite on user command.

26. Defendants concede that as the Court construes background and foreground, the accused devices infringe all elements of Claim 1 except for the "means for storing a frozen real time image." They claim, however, that the patent is invalid, based on prior art and other defenses.

27. Because the Court construes the words background and foreground to mean die back and front of the composite picture, the Court finds that the '453 patent should not have issued, because all of the elements of the invention were disclosed in prior art - the 1986, 1987, 1990 and 1991 devices of Plaintiff and the Smithsonian installations, the A-Teck System and the Barcrest patent (discussed below).

28. Claim 2 of the '453 Patent should be construed to include all of the elements of Claim 1 and the following additional element: a video enhancer between the video camera and the interface means, to enhance color and lighting. Video enhancers were known at the time the '453 patent was filed.

29. Claim 3 of the '453 Patent should be construed to include all of the elements of Claim 1 and the following additional element(s): means to give the user a visual indication of when the image is to be frozen, This can be accomplished through a lighted push-button that indicates that the image may be frozen by pressing the button.

30. Claim 4 of the '453 Patent should be construed to include all of the elements of Claim 1 and the following additional element(s): a booth housing that allows the user to be seated during the process of completing the photo.

31. Claim 7 of the '453 Patent should be construed to include all of the elements of Claim 1 and the following additional element(s): a third monitor.

32. Claim 8 of the '453 Patent should be construed to include all of the elements of Claim 1 and the following additional element(s): a third monitor that produces a mirror image of the background and foreground image shown in real time.

33. Claim 9 of the '453 Patent should be construed to include all of the elements of Claim 1 and the following additional element(s): a memory store of computer digitized images comprising a variety of foreground images.

34. Claim 10 of the '453 Patent should be construed to include all of the elements of Claim 9 plus the following additional element(s): foreground images that include personalities, places, post cards, greeting cards, or identity cards.

35. Claim 11 of the '453 Patent should be construed to include all of the elements of Claim 1 and the following additional elements: a video camera that is orientable by actuation means provided for the user. The actuation means can include push-buttons that can be pressed to signal an electrical motor to maneuver or orient the camera into different positions.

36. Claim 13 of the '453 Patent should be construed to include all of the elements of Claim 11 and the following additional element(s): electrically controlled motors provided for the user to change the position of the camera.

37. Claim 17 of the '453 Patent should be construed to include all of the elements of Claim 1 and the

following additional element(s): an open installation with no enclosure for the subject user, where the user's image maybe captured in a standing position such that the images may be displayed publicly.

38. The Barcrest Patent Application, WO 90/1025 1, published on September 7, 1990, ("Barcrest") discusses providing an indication on the monitor when the picture is going to be taken. Application, p. 6, lines 10-13. Barcrest discloses a first monitor (and second monitor) which displays a real-time image of the user, at certain points in time, and a second monitor (and a first monitor) which displays a composite frozen image and computer-digitized image, at other points in time.

39. Barcrest discloses that mirror images could be displayed.

40. Barcrest discloses moving the camera with motors and an electric or electronic control.

41. Barcrest also discloses that a free standing structure can be used, rather than a booth.

42. Every element in Claims 1, 4, 11, 13 and 17 of the '453 Patent is shown in Barcrest. Claims 1, 4, 11, 13, and 17 of the '453 Patent, and each element therein, are directly anticipated under 35 U.S.C. § 102(b) by the Barcrest patent.

43. As to 35 U.S.C. § 103, a person of ordinary skill in the art, considering Barcrest, the installations at the Smithsonian, the Ladybug, and the A-Teck system would have considered obvious the addition of a third monitor, the only element added by Claim 7 to what is disclosed in Barcrest.

44. On or about December 9, 1992, an examination report was issued with respect to the UK application. This report rejected the claims of the UK application as being anticipated by Barcrest as well as other references. The Barcrest reference was disclosed to the UK Patent Agent for Plaintiff.

45. On or about April 7, 1995, Plaintiff amended its claims in the UK application in response to the examination report.

46. Barcrest was never provided to the examiner in connection with the '453 patent application.

47. Defendant Foto Fantasy had never heard of the '453 patent prior to the filing of the Original Complaint in this action.

48. Plaintiff proved by a preponderance of evidence that certain images produced by the accused infringing sit-down and stand-up devices, including the Defendants' Foto Fantasyline, Foto Festival line, Sticker Station, Classic I line., Classic II line, Skyline, Ladybug and Foto Fun Card machines infringe claim 1 of the '453 Patent, literally and/or under the doctrine of equivalents, because they include the following elements and/or their equivalents:

(a) A video camera,

(b) A first monitor for reproducing a real time image of the user as a background on the monitor screen,

(c) A computer that controls the operations of the machine,

(d) A memory store of preselected computer digitized images,

(e) Means for storing a frozen real time image,

(f) Means for interfacing die memory store with the real time image for display on a monitor and/or means for interfacing the memory store with a frozen real time image for display on a monitor,

(g) Means for creating a frozen real time image,

(h) Means for selecting a computer-digitized image,

(i) A second monitor for displaying a composite of a user-created frozen real time image and at least one user-selected digitized image from the memory store as a foreground, where the user is in the background and the digitized image is in the foreground, and

(j) A printer for printing the composite on user command.

49. In Defendants' Multiple monitor machines, including the Foto Fantasy line and others, the first monitor displays a real time image of the user as a background and, after the user freezes the image, it displays a frozen image of the user as a background with a stored digitized image appearing as a foreground. The other monitors in Defendants' multiple monitor booths display the same images as the first monitor. Defendants' multiple monitor machines thus include one monitor that displays a real time image of the user as a background combined with a digitized foreground image at another point in time.

50. Plaintiff proved by a preponderance of evidence that certain images produced by the accused infringing sit-down and stand-up devices, including the Foto Fantasy line, Foto Festival line, Sticker Station, Classic I Line, Classic II line, Skyline, Ladybug and Foto Fun Card machines infringe Claim 3 of the '453 Patent literally and/or under the doctrine of equivalents because they include all of

the elements of claim 1 and the means to give the user a visual indication of when the image is to be frozen.

51. Plaintiff proved by a preponderance of evidence that certain images produced by the accused infringing sit-down devices of the Foto Fantasy, Foto Festival, Sticker Station, Classic I, Classic II, Skyline, Ladybug and Foto Fun Card machines infringe Claim 4 of the '453 Patent literally and/or under the doctrine of equivalents because they include all of the elements of Claim 1 and a booth housing that allows the user to be seated during the process of completing the photo. The stand-up kiosks do not infringe this claim.

52. Plaintiff proved by a preponderance of evidence that certain images produced by any of the accused infringing sit-down and stand-up devices which include a third monitor infringe Claim 7 of the '453 Patent literally and/or under the doctrine of equivalents because they include all of the elements of Claim 1 and a third monitor.

53. Plaintiff proved by a preponderance of evidence that certain images produced by the accused infringing sit-down and stand-up devices, including the Foto Fantasy line, Foto Festival line, Sticker Station, Classic I line, Classic II Inc, Skyline, Ladybug and Foto Fun Card machines infringe Claim 9 of the '453 Patent literally and/or under the doctrine of equivalents because they include all of the elements of Claim 1 and a memory store of computer digitized images comprising a variety of foreground images.

54. Plaintiff proved by a preponderance of evidence that certain images produced by the accused infringing sit-down and stand-up devices, including the Foto Fantasy line, Foto Festival line, Sticker Station, Classic I line, Classic II line, Skyline, Ladybug and Foto Fun Card machines infringe Claim 10 of the '453 Patent literally and/or

under the doctrine of equivalents because they include all of the elements of Claim 1 and a memory store of computer digitized images comprising a variety of foreground images that include personalities, places, post cards, greeting cards, or identity cards.

55. Plaintiff proved by a preponderance of evidence that certain images produced by the accused infringing sit-down and stand-up devices, including the Foto Fantasy line, Foto Festival line, Sticker Station, Classic I line, Classic III line, Skyline, Ladybug and Foto Fun Card machines infringe Claim 11 of the '453 Patent literally and/or under the doctrine of equivalents because they include all of the elements of Claim 1 and a video camera that is orientable by actuation means provided for the user.

56. Plaintiff proved by a preponderance of evidence that certain images produced by the accused infringing sit-down and stand-up devices, including the Foto Fantasyline, Foto Festival line, Sticker Station, Classic I line, Classic II line, Skyline, Ladybug and Foto Fun Card machines infringe Claim 13 of the '453 Patent literally and/or under the doctrine of equivalents because they include all of the elements of Claim 1 and electrically controlled motors provided for the user to change the position of the camera.

57. Plaintiff proved by a preponderance of evidence that certain images produced by the accused stand-up devices in Plaintiff s Foto Fantasy, Foto Festival, Sticker Station, Classic I, Classic II, Skyline, Ladybug and Foto Fun Card machines infringe claim 17 of the '453 Patent literally and/or under the doctrine of equivalents because they include all of the elements of claim 1 and an open installation with no enclosure for the subject user, where the user's image may be captured in a standing position such that the images may be displayed publicly. Claim 17 does not apply to Defendants' sit-down machines.

58. Even if claim 1 were not invalid, the accused devices do not infringe claim 1 of the patent, as they do not usè the means for storing a frozen real time image as identified in the patent specification, i.e., the video printer identified as No. 12 in figure no. 1 of the '453 Patent.

59. The accused devices do not infringe claim 2 of the patent, as they do not use a video enhancer between the video camera and the interface means to enhance the color and lighting means, nor an equivalent thereof.

60. The accused devices do not infringe claim 8 of the patent, as they do not have a third monitor that is adapted to give a mirror image of the background and foreground, but instead show the composite in real time.

61. Plaintiff s asserted claims under the '453 patent are invalid, as they are anticipated under 35 U.S.C. § 102 by Barcrest, and obvious to a person of ordinary skill in the art by combining what is taught by the A-Teck system, the Smithsonian installations and Foto Fantasy's 1987, 1990 and 1991 machines.

62. Any Finding of Fact which is actually a Conclusion of Law shall be so construed.

CONCLUSIONS OF LAW

1. Photomagic accused Defendants of infringing the '453 patent by virtue of Defendants' manufacture and use of certain photographic installations.

2. Defendants proved by clear and convincing evidence that devices that included all elements of Claim 1 of the '453 patent were on sale and/or in public use - unchanged in any material way since before the critical date; i.e., more than one year prior to the filing date to which the '453 is

entitled. Such sales render Claim 1 of the '453 patent invalid under 35 U.S.C. 102(b).

3. Defendants proved by clear and convincing evidence that the asserted claims of the '453 patent were anticipated by Barcrest, which was published prior to the critical date, and thus are invalid under 35 U.S.C. § 102(a).

4. The only differences between the invention claimed by the '453 patent and the prior art would have been obvious to one of ordinary skill in the art at the time the '453 patent application was filed, thus, thus rendering the '453 patent invalid under 35 U.S.C. § 103.

5. Plaintiff claims that the point of novelty in the '453 patent is a composite with the customer in the background and a stored image in the foreground with "the background and foreground images have[ing] sufficient differentiation or depth of field so that the user can distinguish the background from the foreground on the monitor screen(s) . . .." (*See* Plaintiffs Fourth Amended Complaint). If this is what the Plaintiff intended that the patent teach, the patent is invalid for failure to comply with the (a) written description requirement, (b) the enablement requirement, and (c) the best mode requirement of 35 U.S.C. § 112. Neither the patent claims nor the specification describe a depth of field.

6. The terms of the asserted claims of the '453 patent are clear and unambiguous. With respect to the terms "foreground" and "background" in claim 1, those terms mean, respectively, in the front and in the back, and do not require any particular degree of separation, depth of field or differentiation between images. Thus construed, Claim 1 is invalid because Defendants proved by clear and convincing evidence that it was anticipated and/or rendered obvious by prior art under 35 U.S.C. § §102 and 103.

7. Photomagic engaged in inequitable conduct by failing to disclose to the U.S. Patent Office Barcrest and the Foto Fantasy system that Auto-Photo, Plaintiff's U.S. affiliate, used in 1990 and purchased directly from Foto Fantasy in 1991.

8. Even if Plaintiff had proven infringement of claims of the '453 Patent, and even if the asserted claims of the '453 patent were not invalid, Plaintiff is not entitled to recovery of the royalty it seeks as damages, because Plaintiff claimed that only certain images produced on Defendants' devices infringed the '453 patent, but Plaintiff did not prove the quantity of allegedly infringing sales.

9. In "exceptional" cases, the court may award the prevailing party its attorney fees. See 35 U.S.C. § 285. "Exceptional" circumstances may include, among other things, willful patent infringement, inequitable conduct by the patentee, or unjustified litigation.

10. Considering the "totality of the circumstances," the Court concludes that the prevailing party, the Defendant, has not met its burden of showing by clear and convincing evidence that this case is exceptional. Thus, this Court will not award attorneys fees to Defendant.

11. Plaintiff is not entitled to injunctive relief of any kind.

Signed this _____ day of _____, 2004

_____

/S/ BARBARA M.G. LYNN
UNITED STATES DISTRICT JUDGE

U 453307

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

August 15, 2001

THIS IS TO CERTIFY THAT ANNEXED HERETO IS A TRUE COPY FROM THE RECORDS OF THIS OFFICE OF:

U.S. PATENT: *5,539,453*
ISSUE DATE: *July 23, 1996*

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

E. Bornett

E. BORNETT
Certifying Officer

PLAINTIFF'S TRIAL EXHIBIT
1
Cause No. 3-99CV1356-M

US005539453A

United States Patent [19]

David et al.

[11] Patent Number: 5,539,453

[45] Date of Patent: Jul. 23, 1996

[54] **PHOTOGRAPHIC SELF-PORTRAIT INSTALLATIONS**

[75] Inventors: **Dan David**, Rome, Italy; **Yehuda Hecht**, Hove, England

[73] Assignee: **PMI Photomagic Ltd.**, United Kingdom

[21] Appl. No.: **211,270**

[22] PCT Filed: **Sep. 14, 1992**

[86] PCT No.: **PCT/GB92/01679**

§ 371 Date: **Jul. 11, 1994**

§ 102(e) Date: **Jul. 11, 1994**

[87] PCT Pub. No.: **WO93/07710**

PCT Pub. Date: **Apr. 15, 1993**

[30] **Foreign Application Priority Data**

Sep. 28, 1991 [GB] United Kingdom 9120667
Mar. 23, 1992 [GB] United Kingdom 9206295

[51] **Int. Cl.**[6] **H04N 7/18**

[52] **U.S. Cl.** **348/77**; 348/158,211

[58] **Field of Search** 358/77, 61, 211, 358/158; H04N 7/18

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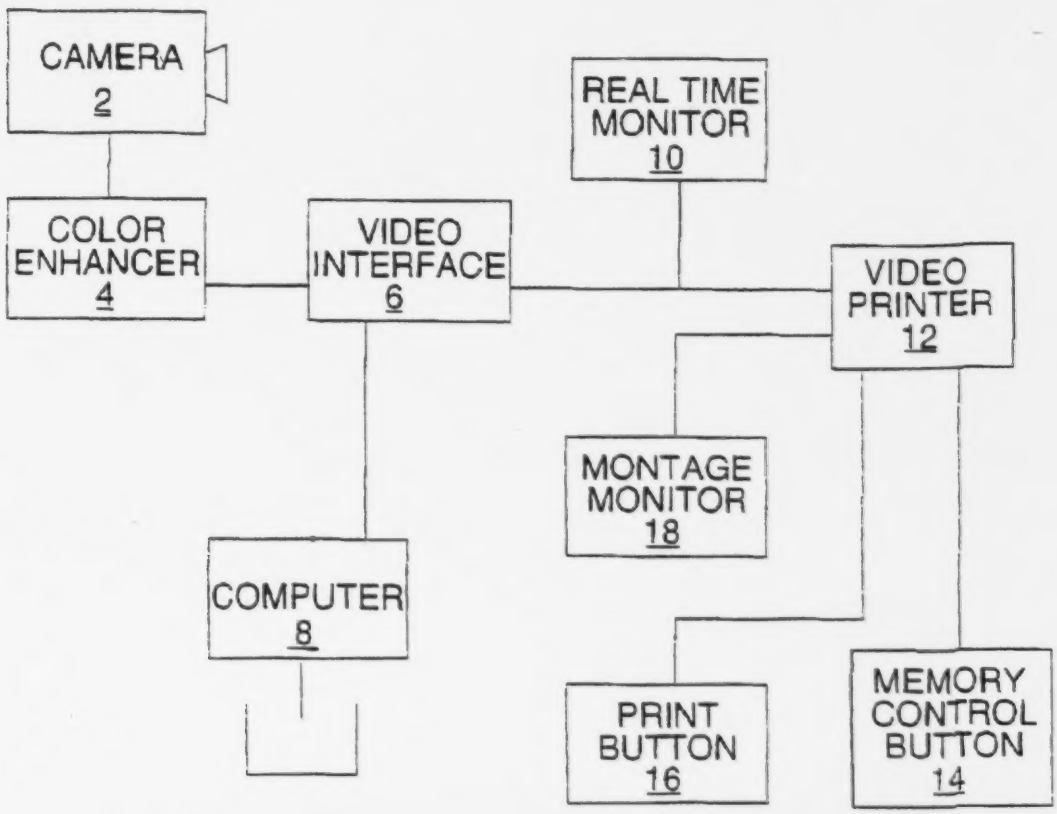
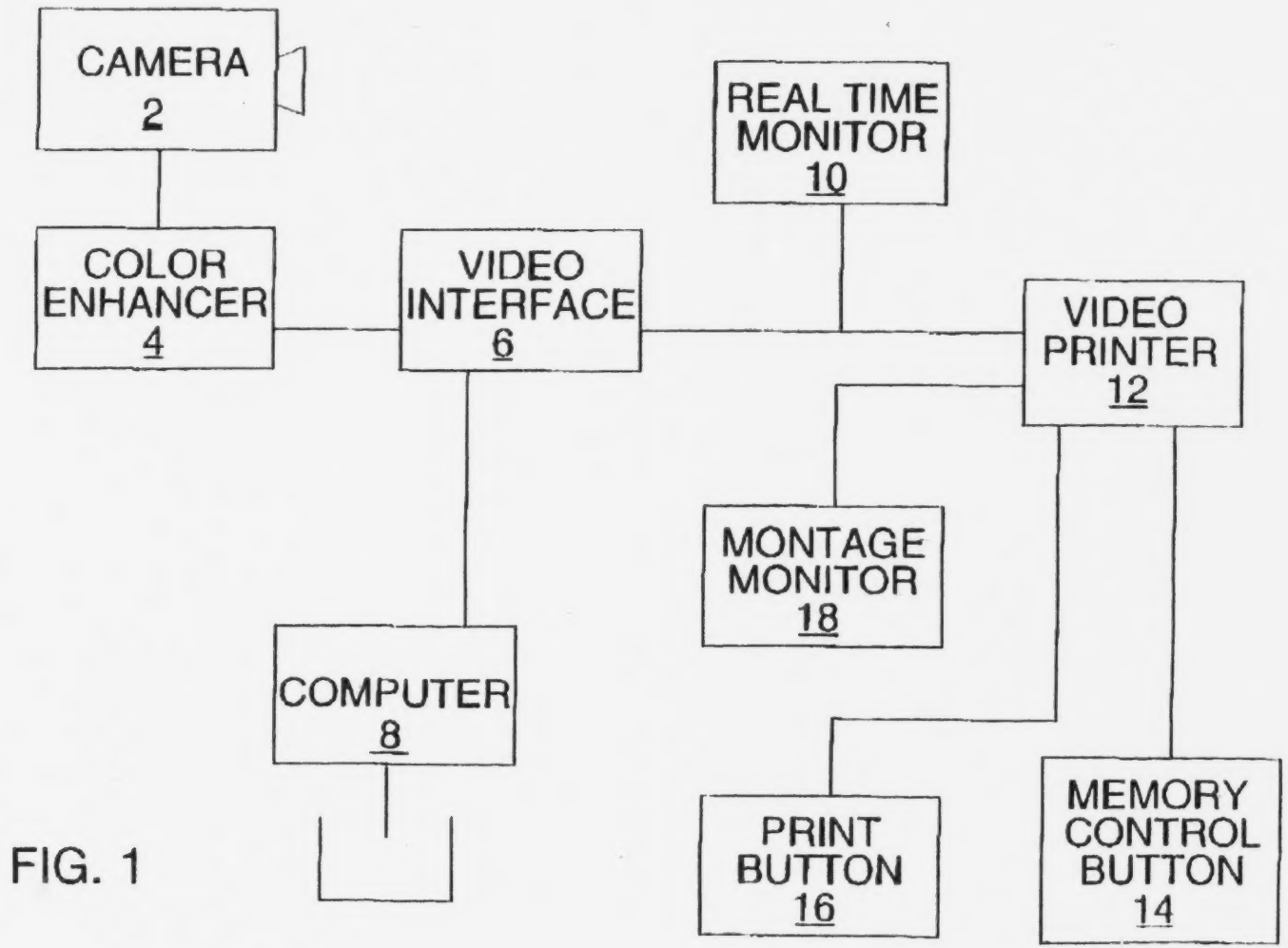
Primary Examiner—Howard W. Britton
Attorney, Agent, or Firm—Lucas & Just

[57] **ABSTRACT**

A photographic self-portrait installation includes a photo-video installation (**1**) which includes a video camera (**2**) for viewing a subject and a monitor (**10**) on which the subject may view a real time self image in background against a foreground of a selection of computer-digitised foreground images. The subject is able to freeze a real time self image against a personally preselected foreground image and generate a composite for printing. The installation may be open or housed within a booth.

30 Claims, 6 Drawing Sheets

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COMPUTER
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MEMORY
CONTROL
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FIG. 1

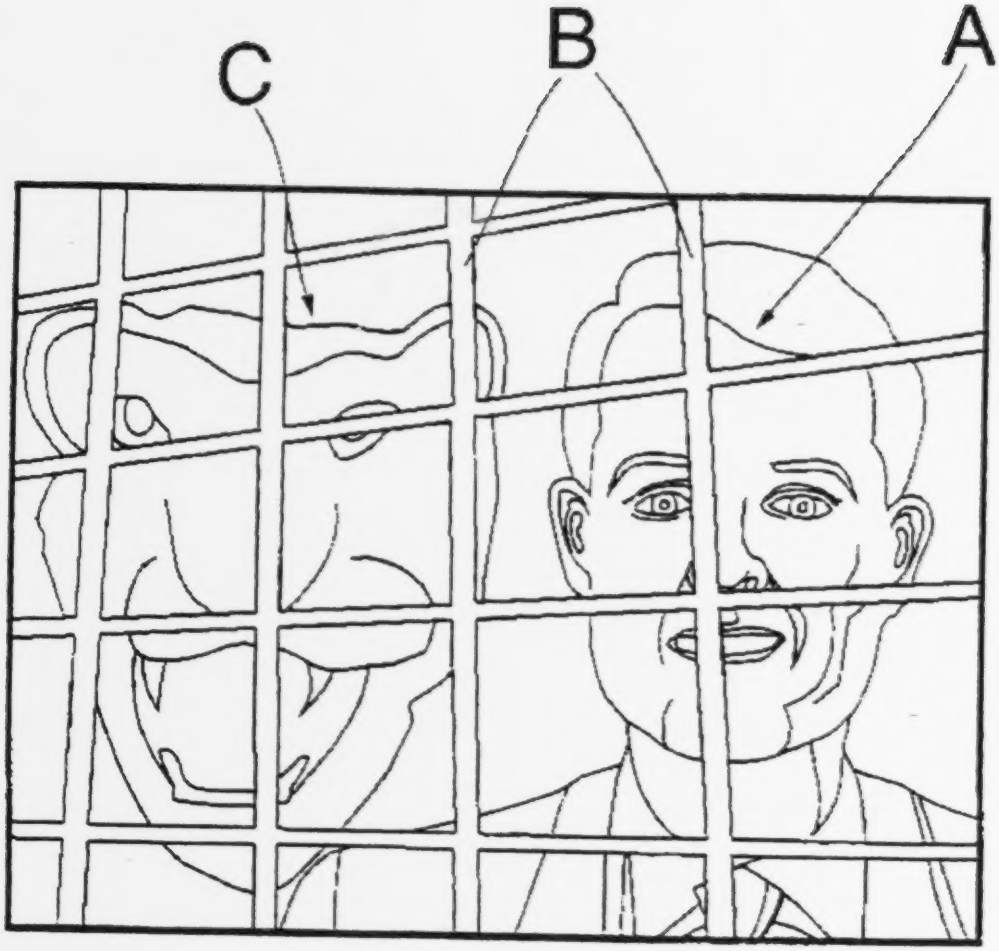

FIG. 2

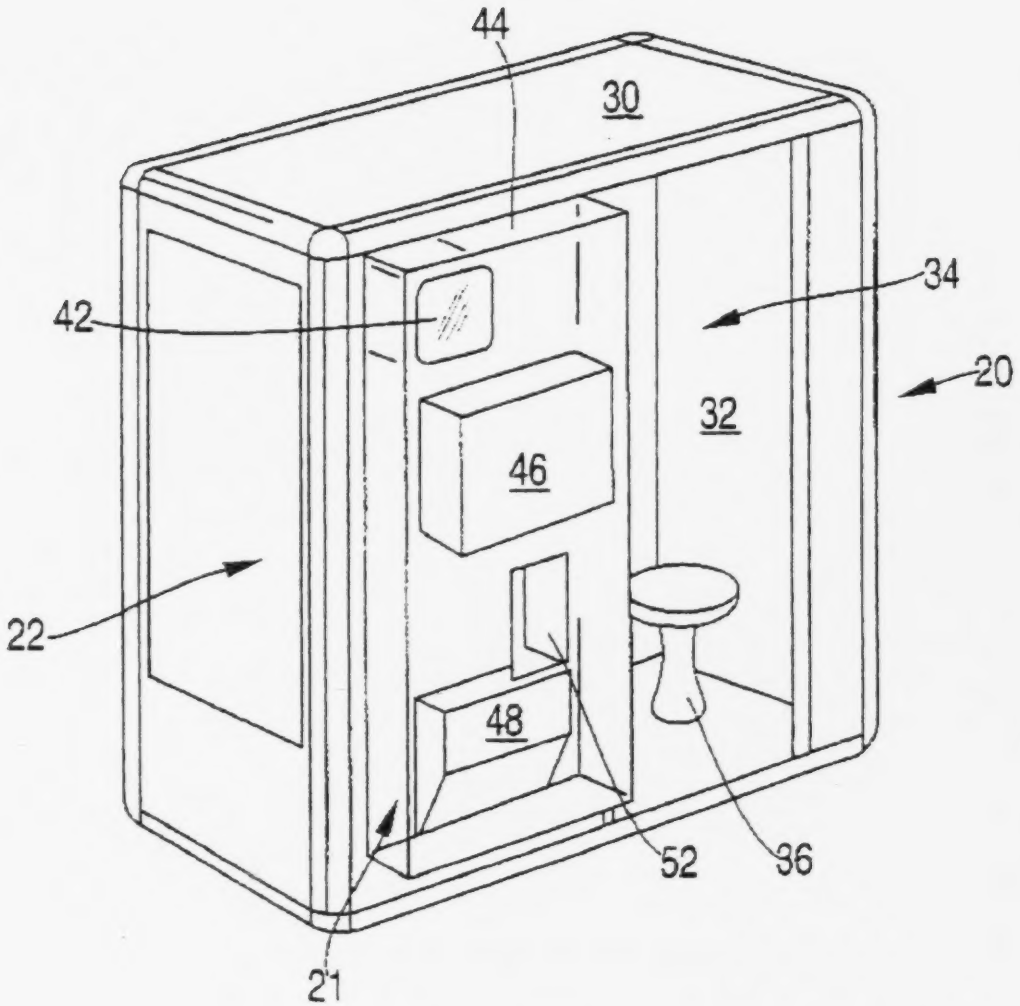

FIG. 3

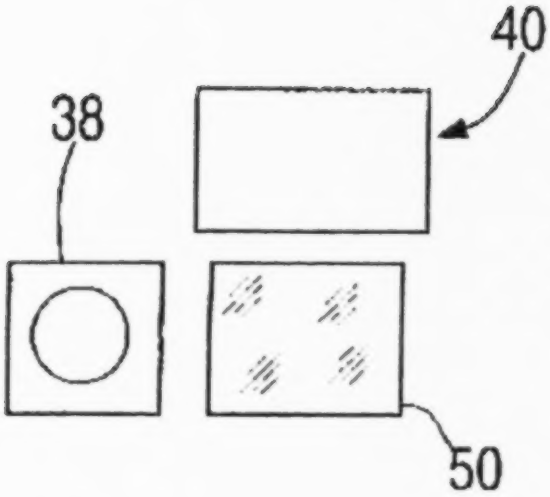

FIG. 4

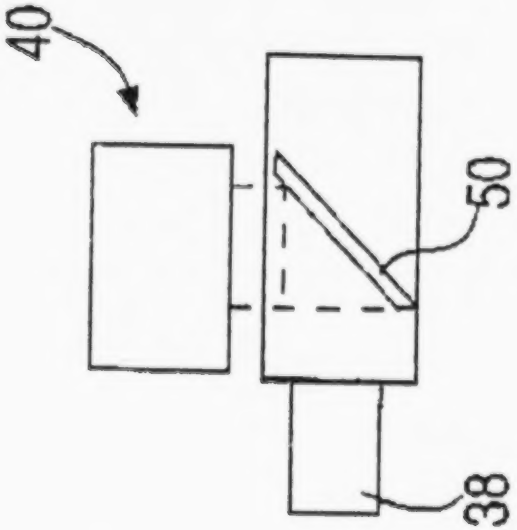

FIG. 5

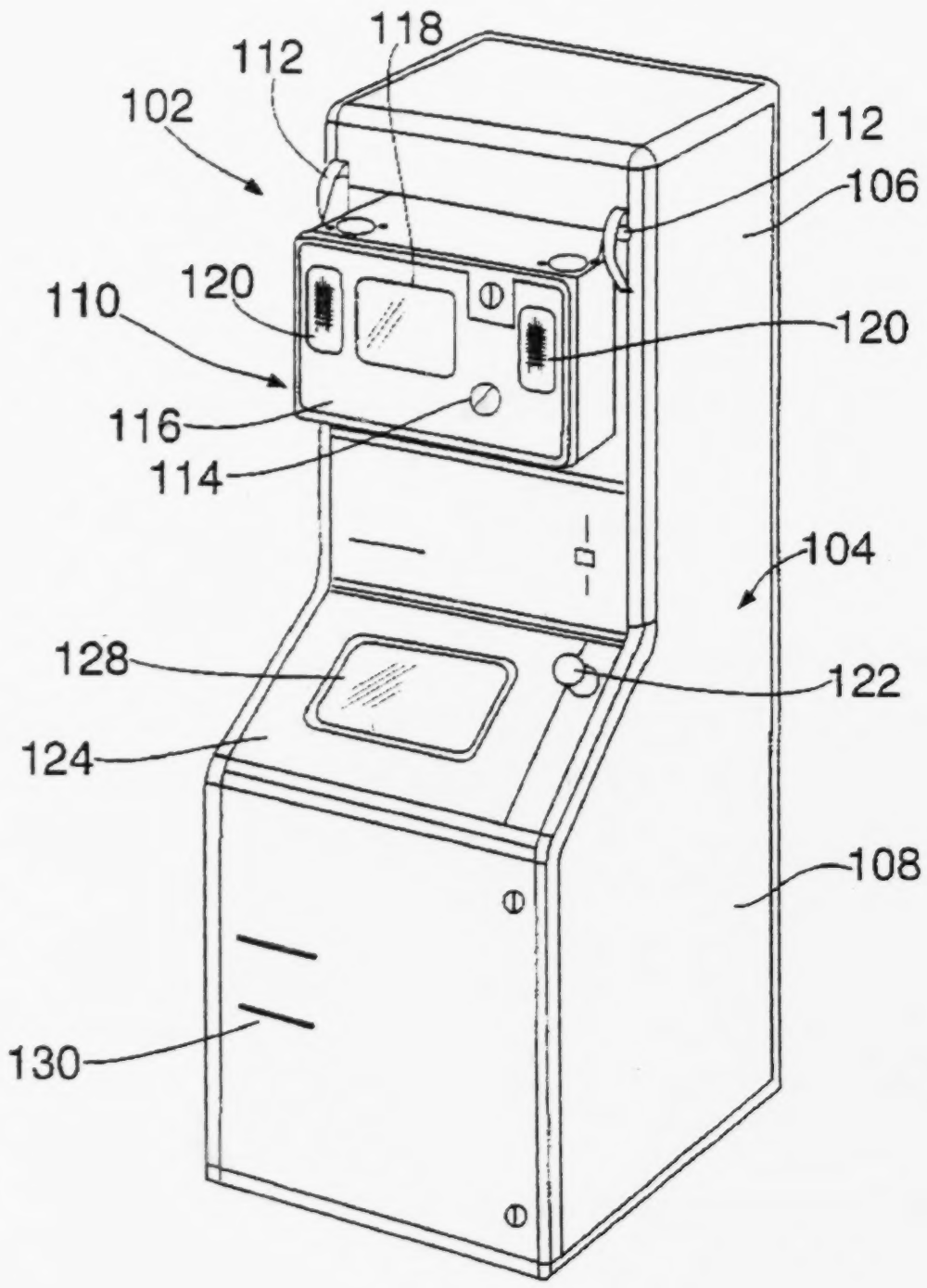

FIG. 6

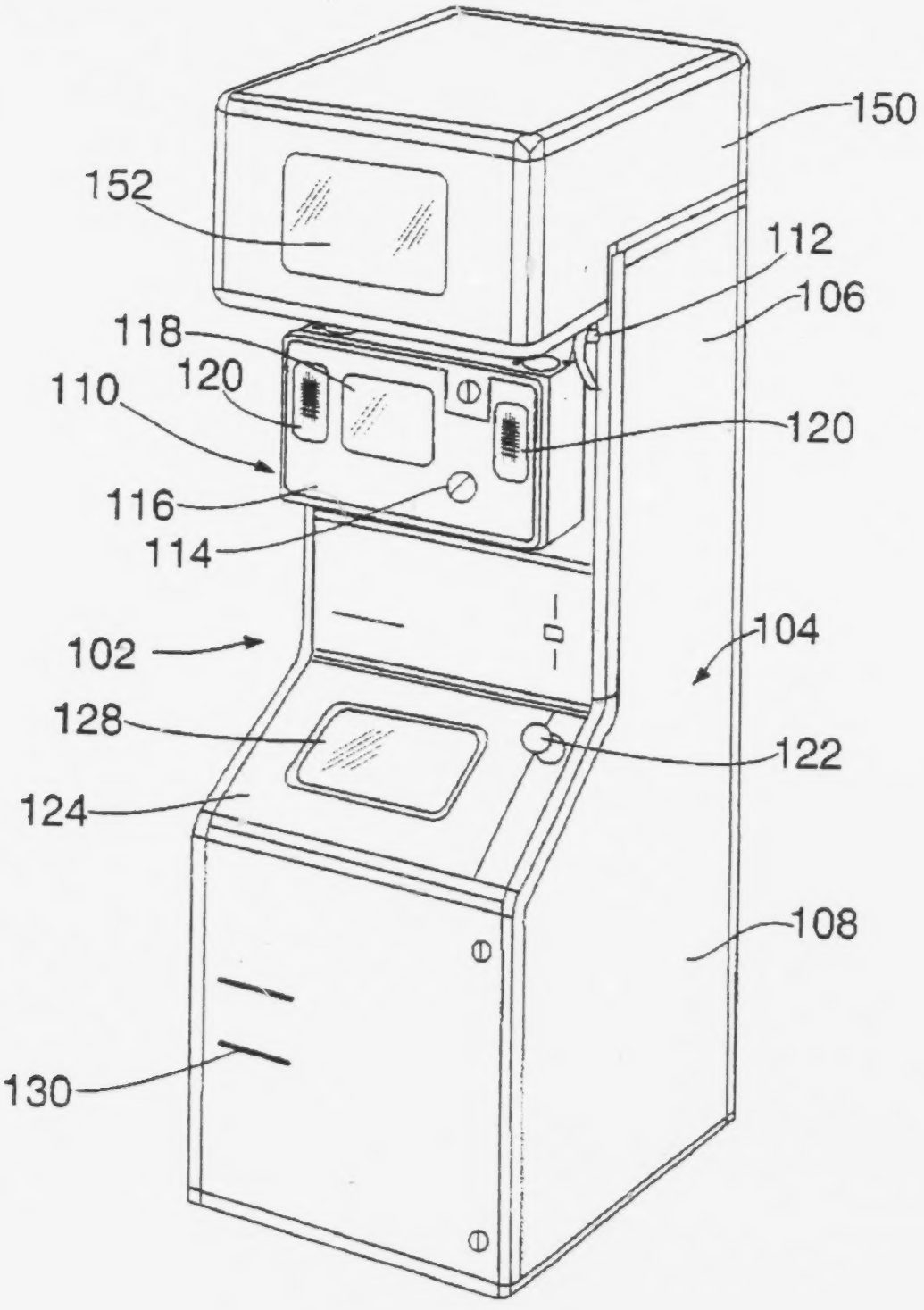
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FIG. 7

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PHOTOGRAPHIC SELF-PORTRAIT INSTALLATIONS

This invention concerns improvements in or relating to photographic self-portrait installations and in particular has reference in one aspect to a video-photo installation for the production of personalised photographs composited with an accompanying image selected by the user of the installation.

In another aspect the invention relates to a photographic self-portrait installation including a video-photo installation integrated with a wet photographic system allowing the user a choice of the type of photograph to be produced.

It is already known to provide a video-photo installation capable of generating such composite photographs wherein the user selects a background from a memory bank in which a plurality of images is stored and one of the images is retrievable upon command. Such an installation includes a control panel with appropriate command buttons actuable by the user for choosing a background from a range of static reproductions thereof sited adjacent the buttons, and for displaying the chosen background on a monitor. A video camera is provided for viewing the subject user, and in known installations the subject has to adopt a set pose before the camera automatically freezes the final image for superimposition on the selected background for subsequent printing. A disadvantage of the prior art installation is the relatively low degree of control afforded to the user in terms of both viewing the backgrounds and more particularly managing the final image to be captured for photographic reproduction.

It has also long been known to provide an installation, usually coin-operated, for a user to take a self portrait employing a conventional photographic camera within a booth, the camera taking a number of shots of one or more poses, the resulting exposed film being processed by conventional wet techniques.

It is also known from U.S. Pat. No. 5,072,246 to provide in one self photography booth in combination a video camera and a conventional photographic camera, the video camera being used to assist the user to reach a desired pose before a self portrait is taken using the photographic camera.

One object of the invention is therefore to provide an improved photographic self-portrait installation including a video-photo installation which allows the user a greater degree of control over its operation than has hitherto been possible with the prior art proposals.

A further object of the invention is to provide an improved photographic self-portrait installation incorporating an integrated video-photo installation and a self-photography installation using a wet photographic printing process.

According to a first aspect of the invention there is provided a photographic self-portrait installation comprising a video-photo installation including a video camera for viewing a subject user, a first monitor for reproducing a real time image of the user as a background on the monitor screen, a computer for controlling the operation of the installation, a memory store of preselected computer-digitised images, means for storing a frozen real time image, interface means for interfacing the memory store with the real time image for display on the first monitor and/or for interfacing with the frozen real time image, means for creating a frozen real time image, means for selecting a computer-digitised image, a second monitor for displaying a composite of a user-created frozen real time image as a background and at least one user-selected computer-digitised image from the memory store as a foreground, and a printer for printing the said composite upon user command.

Advantageously a video enhancer is employed between the video camera and the interface means to enhance the colour and lighting characteristics.

The camera may conveniently be orientable by suitable actuation means provided for the user; such means may be manual in the form of a single lever or joy stick, or may be electrically controlled with motors arranged to change the position of the camera.

Conveniently, the computer is so programmed that the memory store of computer-digitised images may be continuously and sequentially displayed as a superimposed foreground on the real time image of the subject user, the interface means effective the composite. The continuous display of the computer-digitised images can be stopped with a command from the user at the selected choice. In the alternative, the store of computer-digitised images may be displayed in montage form.

A frozen real time image of the user is created at the instigation of the user upon actuation of the means provided for that purpose on the computer, the frozen image being reproduced on the second monitor as a background with the selected choice of the computer-digitised image as a foreground.

Preferably means are provided to give the subject user a visual indication of when the image is to be frozen. For example such means may be the discharge of a flashlight. In one alternative, a numerical countdown projected onto one of the monitors may be provided. In another alternative, the visual indication may be provided by a reducing column of light, for example red light.

A third monitor may be provided adjacent the camera, the monitor giving a mirror image of the background and the foreground, but showing the montage in real time.

The memory of computer-digitised images may comprise a variety of foreground images which may be of personalities, places, post cards, greeting cards, or identity cards, but the invention is not confined to such images.

The installation includes appropriate illumination for the operation thereof which is preselected dependent upon the location of the installation.

The photographic self portrait installation may advantageously be housed in a booth in which the user can be seated for the video-photo session. In the alternative, the installation may be open thereby allowing the photographic session to be conducted publicly. In this instance, the subject user can and usually will assume a standing position. In this alternative, open installation, provision may be made for a remote link with an operator who would be able to view the subject user on an appropriate monitor connected to the camera on the machine. The remote link would be provided with a microphone and the installation would have a loudspeaker mounted thereon inter alia for that purpose. In use, upon viewing a potential customer, the operator would speak to the customer for the purpose of encouraging use of the installation.

The printing operation of the installation is initiated in a commercial application by the insertion of appropriate currency or by the use of a card.

It is to be understood that the term printing in relation to the video-photo installation as used herein includes not only a visual print but also a software print such for example as on a diskette or any equivalent thereof. In particular it is envisaged that a diskette could be produced for the user to take away for loading onto a home personal computer to provide a local record of the self-photograph.

The invention also includes the production of such a diskette carrying a portrait of the user alone or in combination with a background or a foreground.

According to a second aspect of the invention there is provided a photographic self portrait installation comprising a video-photo installation including a video camera for viewing a subject user, a monitor screen for reproducing a real time image of the user as a background on the monitor screen, a computer for controlling the operation of the video-photo installation, a memory store of preselected computer-digitised images, means for storing a frozen real time image, interface means for interfacing the memory store with the real time image for display on the monitor screen and/or for interfacing with the frozen real time image, means for creating a frozen real time image, means for selecting a computer-digitised image, the monitor displaying a composite of a user-created frozen real time image as a background and at least one user-selected computer-digitised image from the memory store as a foreground, a first printer for printing the said composite upon user command, and including a self-photography installation adapted to utilize the said video camera for taking self portraits of a user, and a second printer employing a wet photographic process, and selector means for selecting the video-photo installation or the self-photography installation to produce the required self portrait.

The video-photo installation of the second aspect may be essentially the same as that of the first aspect save that only one monitor screen is provided although a second monitor screen may be provided to replicate the images produced on the first screen.

Conveniently, the video camera in the second aspect is disposed adjacent the monitor which may be of the liquid crystal type. The monitor screen may advantageously be orientated in a horizontal plane downwardly to project any image thereon onto a mirror suitably angularly orientated to give a reflected image to a user placed in front of the camera. The purpose of such an arrangement is to provide the user with a proper mirror image whereby any movements are replicated, in the same direction, thereby to allow the user the ability to adopt a desired pose more readily than if the projected image were reversed.

The second printer employs a conventional wet photographic development process which produces prints within a limited time space.

Conveniently the photographic self portrait installation of the second aspect is housed in a single booth, with the selector means provided in a suitable manner therewithin, a seat being provided for the user to pose in front of the camera.

Conveniently the installations of the present invention provide the subject user with instructions on their use either visually and/or audibly. Where audible instructions are to be given, a loudspeaker is provided at least for that purpose.

By way of example only, three embodiments of photographic self portrait installations according to the present invention are described below with reference to the accompanying drawings in which:

FIG. **1** is a block diagram thereof of a first embodiment;

FIG. **2** is a drawing of a photograph produced by the first embodiment;

FIG. **3** is a diagrammatic view of a second embodiment;

FIG. **4** is a front elevation of a detail of the second embodiment;

FIG. **5** is a side view corresponding to FIG. **4**;

FIG. **6** is a perspective view of a third embodiment; and

FIG. **7** is a perspective view of a fourth embodiment.

Referring to FIG. **1** of the drawings, a video-photo installation **1** includes a video camera **2** coupled to a video image colour-enhancer **4** which is connected to a video interface **6**.

A computer **8** is connected into the interface **6** which also interfaces with a first, real time, monitor **10** and a video printer **12** provided with a memory control button **14** and a print actuation button **16**. A memory store (not shown) of a plurality of computer-digitised images is held within the computer which has a keyboard (not shown) provided with control keys for setting or releasing the digitised image displayed on the monitor **10**.

A second monitor **18** is connected to the printer **12** and is adapted upon actuation of the memory button **14** to display a montage as hereinafter described.

In operation of the installation **1**, a subject user is disposed in the range of the video camera **2** which sends the real time image it captures to the monitor **10** via the interface for display as the background on the monitor screen. Simultaneously, the computer-digitised images are continuously and sequentially displayed as a superimposed foreground alongside the real time image to provide a montage for viewing and consideration by the user.

The user is free to select a digitised image from the range being displayed, the selection then being set. The user may then adopt a pose which can be viewed in real time on monitor **10** as a background to the selected image and which upon actuation of the memory button **14** can be displayed as a frozen montage on the monitor **18**. If the frozen montage is acceptable to the user, the print button **16** may be depressed and a print of the montage shown on monitor **18** is produced on appropriate paper which may be in the form of a postcard or greetings card or plain photographic paper. If, however, the frozen montage is unacceptable, it can be released and the user can reselect a montage of acceptable form for subsequent printing.

FIG. **2** shows a drawing of a photograph as printed by the installation described in relation to FIG. **1**, the user A being depicted behind the bars B of a cage housing a tiger C. It will be readily appreciated that the invention allows the production of such a 'fun' photograph since the real time image A is in the background, whilst the bars B and the tiger C are in the foreground. Known installations are incapable of producing such a composite picture.

In commercial application of the installation, the requisite cost for the print may be paid either at the commencement of the operation or once the user has indicated acceptability of the frozen montage.

Appropriate instructions either in static print on the installation will be provided or on one of the monitor screens.

The first aspect of the present invention thus provides a video-photo installation which gives the user versatile control over its operation and the resultant print, the user being able to select and reselect the real time image to be recorded and to select and reselect the digitised image prior to the ultimate decision to print the resulting montage.

Referring now to FIGS. **3**, **4** and **5** there is shown a photographic self portrait installation **20** according to the second aspect of the invention including a video-photo installation **21** integrated with a self-photography installation **22** within a single booth **30** provided with an entry **32** leading to a photographic zone **34** in which is located a stool **36** for a user to seat himself/herself in front of a video camera **38** (FIGS. **4** and **5**) disposed at an appropriate height within the booth but not shown in FIG. **3**. Selector means (not shown) are provided within the booth for the user to select which of the integrated installations is desired to be used, the camera being common to both.

The video-photo installation **21** is essentially the same as that described in relation to FIG. **1** save that within the booth **30** a single monitor screen **40** is provided, a further monitor screen **42** being provided exteriorly of the booth **30** as shown to replicate the images shown on the monitor screen **40**. The monitor screen **42** is sited in a casing **44** mounted on the side of the booth **30**, the casing also enclosing a computer **46**, a keyboard **48** therefor, and a printer (not shown) for printing the image generated by the video-photo installation **22**. The video camera **38** is located adjacent the monitor screen **40** which faces downwardly to project its image onto an angularly orientated mirror **50** disposed in side by side relation to the camera, a user seated on the stool **36** being able to look into the camera and to view the reflected image of the monitor screen **40**. The user is thereby enabled to view the video image as a true mirror image which will be the background to the foreground of the stored images which latter will be selected by the user in the same manner as described in relation to FIG. **1**.

If the user wishes to have a conventional self photograph taken, the selector means is operated appropriately and the user poses in front-of the video camera which also takes the photograph to be developed by the conventional wet photography process of installation **22**, the resulting photographs being delivered at **52**.

The second embodiment of the present invention allows a photographic self portrait installation to perform a dual function, the one providing the user with a 'fun' photograph such as that depicted in FIG. **2**, or in the alternative the other providing images of the user alone in the same or different poses.

Referring now to FIG. **6**, there is shown a third embodiment of photographic self portrait installation which is free standing and open, namely without a booth. The installation is shown at **102** and comprises a cabinet **104** having an upper part **106** and a lower part **108**. The cabinet **104** contains the requisite components as hereinbefore described, inter alia the computer, for example a programmable logic controller, for controlling the operation of the installation, the memory storing a plurality of preselected computer-digitised images and messages.

A housing **110** is pivotally attached to the upper part **106** at **112** and contains a video camera (not shown) having a lens registering with a window **114** in the face **116** of the housing. The housing **110** also has mounted therein a video monitor having a screen **118** and lighting in the form of two lamps **120** one at each marginal portion of the face **116** of the housing. The pivotal movement of the housing **110** is controlled by a mechanism (not shown) by instruction from a subject user of the installation through the agency of a joy stick **122** disposed in an inclined face **124** of the lower part **108** in which is mounted the screen **128** of a further video monitor.

The installation **102** is provided with a currency or card operating mechanism (not shown) which upon insertion of the valid currency, which may be coinage or notes, or of the card will initiate operation of the installation.

In operation, a subject user wishing to use the installation to produce a personalised photographic montage initiates operation of the installation by insertion of the correct currency. Instructions as to the various steps to be taken during the session will then appear on the screen **128**. In the first instance the video camera requires to be targetted upon the subject user who will be standing in front of the installation. For this purpose the joy stick **122** is moved in order to pivot the housing **110** in the appropriate direction until the user's real time image appears properly within the frame of the screen **118**. The screen **128** will then instruct the subject user to choose a message from a list of messages which will appear thereon. In addition to the visual instructions, confirmatory audible instructions are also given to the subject user by the use of a loudspeaker (not shown). The screen **128** may be a touch screen, or buttons may be provided on the lower part of the casing **110** to provided the user with the means for choosing a message. Once the message is initially chosen, the screen will ask the user to confirm the choice. In an alternative embodiment, a keyboard is provided and the user can input a personal message. Once the message has been confirmed, another instruction will appear on the screen **128** inviting the user to select one of the preselected images stored in the memory, the images appearing on the screen either as a montage or in sequence. The chosen image appears also on screen **118** together with the user's image in real time. The user in accordance with instructions given by the screen and audibly will have to confirm his choice of image. The user then poses and within a given time frame, indicated by gradually extinguishing lights, or the illumination of a warning light, a picture capturing the montage of the message, the stored preselected and chosen image, together with a frozen image of the user, appears on the lower screen.

A message will then appear on the lower screen enquiring of the user as to whether the montage is acceptable and whether a re-pose of the user's image is required. Assuming the montage is acceptable and the user confirms acceptability by touching the screen in an appropriate manner or presses the correct confirmatory button, a print will be made of the montage. The photographic print is delivered at a discharge point **130** in the casing.

It is to be understood that the user has a choice at each stage and can re-input a different choice, subject to an inbuilt time limitation, and even at the final stage, the user can reposition the camera lens by using the joystick and can re-pose before the montage is printed. At the end of each stage of the operation of the installation, the subject user has to confirm his first choice within that stage before the next stage is initiated.

Referring now to FIG. **7**, there is shown a similar installation to that illustrated in FIG. **6**. In this embodiment, a further casing **150** is mounted on top of the cabinet **104** and incorporates a third video monitor **152** which interfaces with the computer and can project any desired picture. For example, the screen may project a continuous sequential show of the stored images when the installation is not is use, as an advertising aid. When the installation is in use, the third monitor may show exactly the same picture as seen on the monitor **118** to provide a focus for the attention of bystanders to encourage interest. In the alternative, the screen may project any desired picture within the capability of the computer.

The installations of both FIGS. **6** and **7** may be provided with a further monitor (not shown) at a location remote therefrom for observation by an operator who could view a potential customer of the installation. A loudspeaker would be provided on the installation and the operator would be provided with a microphone for speaking to the customer with a view to encouraging use of the installation. The loudspeaker could be the same as that employed for providing audible instructions to the subject user during use of the installation.

It is to be understood that the term computer herein is deemed to include but not be limited to a programmable logic controller or any equivalent thereof.

We claim:

photographic process, and selector means for selecting the video-photo installation or the self-photography installation to produce the required self portrait.

26. An installation according to claim **25** characterised in that the video camera in the second aspect is disposed adjacent the monitor.

27. An installation according to claim **25** characterised in that the monitor is of the liquid crystal type.

28. An installation according to claim **25** characterised in that the monitor screen is orientated in a horizontal plane downwardly to project any image thereon onto a mirror suitably angularly orientated to give a reflected image to a user placed in front of the camera.

29. An installation according to claim **25** characterised in that the second printer employs a conventional wet photographic development process.

30. An installation according to claim **25** characterised by a booth housing the installation.

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No. 04-1646

In the Supreme Court of the United States

PMI PHOTOMAGIC, LTD.,
Petitioner,

v.

FOTO FANTASY, INC. D/B/A FANTASY ENTERTAINMENT AND AMERICAN PHOTO BOOTHS, INC.,
Respondent.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF FOR RESPONDENTS FOTO FANTASY, INC. D/B/A FANTASY ENTERTAINMENT AND AMERICAN PHOTO BOOTHS, INC. IN OPPOSITION

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July 8, 2005

COUNTERSTATEMENT OF THE QUESTIONS PRESENTED

The Federal Circuit issued a non-precedential judgment of affirmance without opinion, affirming a district court judgment in favor of the Respondents, following a trial on the merits of the Petitioner's patent infringement claim. Based on the Federal Circuit's summary affirmance and the district court's findings of fact and conclusions of law, the Petition presents three questions:

1. Whether the district court abused its discretion when it refused Petitioner's demand on the eve of trial for a separate hearing regarding claims construction that would have delayed the trial on the merits of Petitioner's patent infringement claim.

2. Whether the district court erred when it failed to credit an alleged concession of infringement.

3. Whether the district court erred when it determined that Petitioner engaged in inequitable conduct in connection with a patent application.

LIST OF PARTIES AND RULE 29.6 STATEMENT

All of the parties are listed in the caption. Respondent Foto Fantasy, Inc. owns all the stock of American Photo Booths, Inc. Respondent Foto Fantasy, Inc. has no parent corporation and no publicly held companies own ten percent or more of its stock.

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Stern *et al.*, Supreme Court Practice §§ 4.11-4.17 (1985) 8

INTRODUCTION

This unremarkable patent infringement case presents no compelling question that warrants the extraordinary exercise of this Court's certiorari jurisdiction. The Petition, therefore, should be denied.

The Court of Appeals for the Federal Circuit issued an appropriate non-precedential judgment of affirmance without opinion that correctly affirmed a district court judgment in favor of Respondents on the merits of Petitioner's patent infringement claim. The district court's judgment was entered following a bench trial, and it was based upon detailed findings of fact and conclusions of law that are well supported by the record and the precedents of this Court and the Federal Circuit. Specifically, the district court held that: the Petitioner's patent was invalid; Petitioner failed to prove Respondents infringed the patent; and Petitioner engaged in inequitable conduct in connection with the patent application.

The Federal Circuit's summary affirmance of the district court's judgment is a routine appellate decision that is fact-bound, case-specific, and consistent with all relevant precedents of this Court, the Federal Circuit, and other federal courts. Because the summary affirmance is non-precedential and without an opinion, this decision in this case cannot have *any* impact on a recurring question of national importance that warrants this Court's review.

Nevertheless, Petitioner argues that this Court should grant review to consider a series of questions concerning: (1) the district court's overall approach to claims construction, and its specific decision not to conduct a special, pretrial hearing devoted to claims construction prior to a full bench trial on the merits of Petitioner's patent infringement claim; (2) the district court's failure to credit an alleged "concession of infringement;" and (3) the district court's determination of

inequitable conduct in connection with the patent application.

None of these questions involves a truly important recurring issue of federal patent law that warrants further review by this Court. The Federal Circuit correctly realized that this case could be decided summarily under existing precedent without any written opinion. This Court likewise should recognize that the judgments of the Federal Circuit and the district court do not entail any recurring issues of genuine national importance that warrant this Court's review, and deny the Petition.

COUNTERSTATEMENT OF THE CASE

A. Petitioner Applies For A Patent That Is Not Novel In Any Way And Invalid Based On Prior Art Involving Digital Photography Systems.

This case is an unremarkable patent infringement case involving a patent on automated photo booths and other "photographic self-portrait installations" that allow a subject user to create a composite photographic image that includes an image of the subject user as a "background" against a personally selected computer-digitized image in the "foreground." Pet. App. 24-34. The patent at issue is U.S. Patent No. 5,539,453 (the "'453 Patent" or the "Patent").[1]

Petitioner PMI Photomagic, LTD ("Photomagic") applied for the '453 Patent on September 14, 1992 and the

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1 The Petition Appendix is missing a page of the '453 Patent that contains Claim 1 of the Patent and several other Patent claims. Pet. App. 33-34. A true and correct copy of the '453 Patent was submitted to district court and is part of the appellate record in this case.

Patent was issued on July 23, 1996.[2] The '453 Patent claims an invention described as "a photographic self-portrait installation" that is alleged to be novel because it includes elements that function to generate a composite image of the subject user as a "background" against a personally selected computer-digitized image as a "foreground." *Ibid.* According to the Patent, prior art functioned only to produce a composite photo with the image of the subject user as a foreground against computer-digitized image as a background. Pet. App. 31.

In fact, Photomagic's claimed invention was not novel in any way. When Photomagic applied for the '453 Patent on September 14, 1992, Respondents Foto Fantasy, Inc. and American Photo Booths, Inc. (collectively, "Foto Fantasy") and others had been selling and publicly operating for years numerous digital photography systems that included all the elements of the '453 Patent necessary to produce a composite photographic image of the subject user as a "background" against a personally selected computer-digitized image as a "foreground." Pet. App. 24-34. Furthermore, another patent application published in the United Kingdom more than one year before Photomagic's U.S. patent application disclosed each and every element asserted in Claim 1 and other claims of the '453 Patent. Pet. App. 15 (findings of fact and conclusion of law related to the Barcrest Patent application, WO 90/102451 ("Barcrest")).

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2 Photomagic is a wholly-owned subsidiary of Photo-Me International, PLC, a company that manufactures and sells automated photo booths and other photographic self-portrait installations in its own name and through its subsidiaries in the U.S. and abroad. Foto Fantasy also manufactures and sells automated photo booths and other photographic self-portrait installations and competes with Photo-Me and its subsidiaries in the United States and Europe.

This voluminous prior art rendered the claims asserted by Photomagic obvious and the '453 Patent invalid. *See* 35 U.S.C. §§ 102(a) & (b) and 103.[3] Furthermore, Photomagic was aware of this prior art. According to undisputed evidence, in 1990 and 1991—long before the '453 Patent was filed—Photomagic's U.S. affiliate (Auto-Photo) used and then purchased a manually operated Foto Fantasy installation that included all the elements necessary to generate a composite image of the subject user as a "background" against a personally selected computer-digitized image as a "foreground." Pet. App. 22.

B. The District Court Denies Petitioner's Claim For Patent Infringement For Multiple Reasons And The Federal Circuit Summarily Affirms That Judgment.

Photomagic instituted this case in the U.S. District Court for the Northern District of Texas on June 16, 1999, alleging

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3 Under Section 102(a) & (b), a patent is invalid on the date it is issued if the invention claimed in the patent (a): was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the patent applicant for patent;

or (b):

patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.

35 U.S.C. § 102(a) & (b). Under Section 103, a patent is invalid even though:

the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

35 U.S.C. § 103(a).

that Foto Fantasy was manufacturing and selling automated photo booths and other devices that infringed on the claims asserted in the '453 Patent. Photomagic sought damages for patent infringement and injunctive relief.

The district court initially granted summary judgment in favor of Foto Fantasy on October 31, 2001, finding noninfringement as a matter of law based on its construction of the "first monitor" and "second monitor" elements described in Claim 1 of the Patent. However, that summary judgment was reversed on appeal, after a panel of the Federal Circuit determined that Claim 1 of the Patent should not be construed to require a "first monitor" and "second monitor" that performed their ascribed functions simultaneously.[4]

On remand, both parties moved for summary judgment and filed briefs that included substantial arguments concerning the construction of the claims asserted in the '453 Patent. After full briefing and oral arguments, the district court summarily denied both parties' summary judgment motions. At that time, the district court also scheduled a bench trial on the merits of Photomagic's patent infringement claim for the week of September 15, 2003.

At trial, the district court heard live testimony and received evidence concerning claims construction, the invalidity of the Patent, and Foto Fantasy's alleged infringement of the Patent. On March 31, 2004, the district court issued detailed Findings of Fact and Conclusions of Law in favor of Foto Fantasy. First, the district court construed the Patent. Based on intrinsic evidence from the Patent's abstract, claims, and specification, the court determined that the terms "foreground" and "background" were clear and unambiguous, meaning (respectively) "in the

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4 The Petition does not seek review of that first appellate judgment.

back" and "in the front" without describing any particular degree of separation, depth of field, or spatial differentiation between the images used to create the composite. In light of this construction and the relevant prior art described above, the district court concluded the Patent was invalid under 35 U.S.C. §§ 102(a) & (b) and 103. Pet. App. 20-21.

Second, the district court determined that the Patent would be invalid for failure to comply with the written description, enablement, and best mode requirements of 35 U.S.C. § 112, if the terms "foreground" and "background" were construed to imply a particular degree of separation, depth of field, or spatial differentiation between the images used to create the composite, as Photomagic proposed. In the words of the district court "[n]either the patent claims nor the specification describe a depth of field." Pet. App. 21.

Third, the district court found that Photomagic failed to prove infringement by a preponderance of the evidence because the accused devices did not include an element of Claim 1—the "means for storing a frozen real time image" identified in the Patent specification as a video printer.[5]

Fourth, the district court observed that Photomagic had engaged in inequitable conduct by failing to disclose to the U.S. Patent Office the Barcrest patent application and the Foto Fantasy system that Photomagic's affiliate had used and purchased long before the '453 Patent application was filed.

For all the foregoing reasons, the district court entered a judgment in favor of Foto Fantasy. Photomagic timely

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5 Under 35 U.S.C. § 112, an element in a claim "may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof," but such an element must "be construed to cover the corresponding structure ... described in the specification and equivalents thereof."

appealed the district court's judgment to the Court of Appeals for the Federal Circuit. After full briefing and oral arguments, a panel of the Federal Circuit issued a judgment of affirmance without opinion pursuant to Federal Circuit Rules 36 and 47.6. Photomagic's request for rehearing en banc was also denied summarily. The Petition was filed in this Court on June 3, 2005.

REASONS FOR DENYING THE WRIT

The Federal Circuit's summary affirmance in this case satisfies none of the criteria that this Court traditionally applies in determining whether to exercise its certiorari jurisdiction. First, the Federal Circuit's summary affirmance is fact-bound and case-specific. Second, the Federal Circuit's summary affirmance is consistent with the relevant precedents of this Court, the Federal Circuit, and other federal courts, and does not involve any serious conflict among the courts or intra-circuit controversy concerning an issue of genuine national importance to federal patent law. Third, the Federal Circuit's summary affirmance does not present a good vehicle for this Court to address any of the issues presented, especially given Photomagic's failure to challenge all of the multiple grounds for the judgment below.

I. THE FEDERAL CIRCUIT'S JUDGMENT OF AFFIRMANCE WITHOUT OPINION HAS NO PRECEDENTIAL VALUE AND, THEREFORE, WILL NOT HAVE ANY PROSPECTIVE IMPACT ON FEDERAL PATENT LAW.

The Federal Circuit's summary affirmance of the district court's judgment is a routine appellate judgment that is inherently fact-bound and case-specific. For this reason alone, the Court should deny the Petition for lack of importance. *See* Sup. Ct. R. 10 (a petition for a writ of certiorari is "rarely granted when the asserted error consists

of erroneous factual findings or the misapplication of a properly stated rule of law."). *See, e.g., United States v. Johnston*, 268 U.S. 220, 227, 497 (1925) ("We do not grant a certiorari to review evidence and discuss specific facts.") *quoted in Texas v. Mead*, 465 U.S. 1041 (1984) (Stevens, J., respecting denial of certiorari). *See generally* Stern *et al.*, Supreme Court Practice §§ 4.11-4.17 (1985).

In this case, the Federal Circuit did not issue any opinion that clearly misstates a rule of law or squarely conflicts with a prior decision of this Court, the Federal Circuit, or another federal court. The Federal Circuit issued an ordinary judgment of affirmance without opinion, pursuant to Federal Circuit Rules 36 and 47.6. In order to take such action under the Federal Circuit Rules, the court of appeals had to consider the record on appeal and the briefs and oral arguments submitted by the parties and determine that the district court's judgment could be affirmed easily under the existing precedents of this Court and the Federal Circuit without "adding significantly" to the body of federal patent law. *See* Fed. Cir. R. 36 and 46.7.

Because the Federal Circuit's decision will not have *any* prospective impact on federal patent law, the Petition here of necessity presents only fact-intensive and case-specific questions that do not warrant further review on certiorari by this Court.

II. THE FEDERAL CIRCUIT'S SUMMARY AFFIRMANCE DOES NOT PRESENT ANY QUESTION OF GENUINE IMPORTANCE THAT WARRANTS THIS COURT'S REVIEW.

Without the benefit of a written opinion analyzing the case, Photomagic nevertheless asks this Court to review several questions concerning: (1) the district court's overall approach to claims construction, and its decision not to conduct a separate hearing to construe the terms used in

Claim 1 of the '453 Patent prior to a bench trial on the merits of Petitioner's patent infringement claim; (2) the district court's failure to credit an alleged concession of infringement; and (3) the district court's determination that Petitioner engaged in inequitable conduct in connection with its patent application.

As the above recital indicates, each of Photomagic's questions is fact-bound and case-specific. None of the questions involves any conflict among the federal courts or any real controversy concerning an issue of genuine national importance to federal patent law. The questions presented in the Petition were litigated fully before the Federal Circuit, and the Federal Circuit correctly realized that the district court's judgment could be affirmed under the existing precedents of this Court, the Federal Circuit, and other federal court of appeals without a written opinion. This Court should deny the Petition for the same reasons.

A. The Federal Circuit Summarily Affirmed An Approach To Claims Construction That Is Consistent With the Precedents Of This Court, The Federal Circuit, And Other Federal Courts.

Photomagic complains that it was "unduly prejudiced" when the district court refused to hold a separate hearing to construe the terms used in Claim 1 of the '453 Patent before conducting a bench trial on the merits of Photomagic's patent infringement claim. Pet. 13-14. Based solely on its assertion of undue prejudice, Photomagic asks the Court to grant review to decide whether a district court must hold a separate hearing to construe the terms of patent claims under *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996), whenever a party requests such a hearing in advance of a bench trial on the merits of a patent infringement case. Pet. 13-14.

The district court's decision not to conduct a separate *Markman* hearing to resolve open issues of claims construction before or during the trial was a routine case management decision that does not involve any important issue of patent law that merits this Court's review. The record on appeal shows that neither party ever asked the district court to conduct a separate *Markman* hearing to construe the claim language of the '453 Patent until Photomagic demanded a bifurcated trial on claims construction and patent infringement issues in a "Procedural Statement for Trial" filed on September 11, 2003—less than two business days before the scheduled start of the trial on the merits.

The district court denied that request during a pretrial conference later that day, concluding that: (i) Supreme Court and Federal Circuit precedent did not require a separate hearing or ruling on claims construction prior to a bench trial on the merits of a patent infringement claim; (ii) the court could conduct a complete bench trial addressing claims construction and patent infringement without unnecessarily confusing any issues of fact and law; and (iii) a separate hearing would delay and disrupt the previously scheduled trial on the merits.

The district court's decision not to hold a separate *Markman* hearing before or during the trial, therefore, was an inherently fact-bound and case-specific exercise of judicial discretion. Following *Markman*, the Federal Circuit has consistently held that trial judges have broad discretion to interpret the terms of a patent claim at a time when parties have presented a full picture of the claimed invention and prior art. *Sofamor Danek Group, Inc. v. DePuy-Motech, Inc.*, 74 F.3d 1216, 1221 (Fed. Cir. 1996). As the Federal Circuit explained in one leading case, "*Markman* does not obligate the trial judge to conclusively interpret claims at an early stage in a case." *Id.* at 1221. "As long as the trial court

construes the claims to the extent necessary to determine whether the accused device infringes, the court may approach the task in any way that it deems best." *Ballard Medical Products v. Allegiance Healthcare Corp.*, 268 F.3d 1352, 1358 (Fed. Cir. 2001); *see also Fantasy Sports Properties, Inc. v. Sportsline.Com, Inc.*, 103 F.Supp.2d 886, 891 n.2 (E.D. Va. 2000) ("The Federal Circuit has given courts discretion to set the time for claim interpretation."), *vacated in part on other grounds*, 287 F.3d 1108 (Fed. Cir. 2002); *Vivid Techs. Inc. v. American Science & Eng'g, Inc.*, 997 F.Supp. 93, 95 (D. Mass.1997) (same). [6]

Photomagic's other objections concerning claims construction are equally meritless and unworthy of further review by this Court. Contrary to the Petition, the district court and the Federal Circuit did not disregard any well-established rules of claims construction or principles of patent law. The district court and the court of appeals construed the terms of the '453 patent in a manner that was consistent with relevant intrinsic evidence and determined that Photomagic's interpretation of the disputed terms in the '453 Patent was wrong. *See, e.g., Bell & Howell Document Management Products Co. v. Altek Systems, Inc.*, 132 F.3d 701, 706 (Fed. Cir. 1997) (when construing a patent claim, a court should look first to intrinsic evidence, including the patent's claim language, specification, and prosecution history to determine the meaning of a disputed term).

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6 The only case cited by Photomagic in the Petition in connection with this issue expressly recognizes that district courts have broad discretion to postpone final conclusions about claims construction issues until a time when parties have presented a full picture of the claimed invention and prior art. *See International Communication Materials, Inc. v. Ricoh, Ltd.*, 108 F.3d 316, 318 (Fed. Cir. 1997).

B. Neither The Federal Circuit Nor The District Court Disregarded Any "Concession of Infringement" Because The Respondents Never Conceded Anything As A Matter Of Fact At Trial.

Photomagic alternately argues that the Federal Circuit and the district court failed to credit an alleged "concession of infringement," and it urges this Court to grant review to correct this alleged error.

On its face, this issue once again is fact-bound and case-specific and does not involve any recurring legal issue that demands this Court's review. The record on appeal also is clear: Foto Fantasy never conceded infringement of the '453 Patent. At trial, Foto Fantasy acknowledged that its accused devices included *most* of the elements identified in Claim 1 of the Patent, but Foto Fantasy consistently argued that the accused devices did not include one of the elements of Claim 1—the "means for storing a frozen real time image" identified in the Patent specification as a video printer. Pet. App. 13. Indeed, at trial, Foto Fantasy put on live testimony and submitted evidence that showed how the "video printer" described in the Patent and the computer used in Foto Fantasy's systems were distinct, non-equivalent "means for storing a frozen real time image" that made a difference in the functioning of the respective digital photography systems.[7]

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7 In the court of appeals, Photomagic attempted to use selective quotations from the trial transcript to bolster its claim that Foto Fantasy conceded the issue of infringement at trial. However, these quotations were taken out of context to give a distorted impression on the proceedings below. The full transcript shows that no concession was made. Furthermore, at trial, Foto Fantasy presented live testimony and evidence to show that Foto Fantasy did not infringe.

The district court expressly recognized Foto Fantasy's position and correctly found that "Defendants concede that, as the Court construes background and foreground [without any particular degree of separation, depth of field, or spatial differentiation between the images], the accused devices infringe on all elements of Claim 1 except for the 'means for storing a frozen real time image.'" Pet. App. 13. Because the district court's determinations are correct and inherently case-specific, there is no reason to grant review on this issue.

C. The District Court's Alternate Holding Concerning Petitioner's Inequitable Conduct Does Not Warrant Review.

Photomagic lastly asks the Court to grant review to determine whether the district court erred when it stated in its Findings of Fact and Conclusions of Law that Photomagic had engaged in "inequitable conduct" by failing to disclose to the U.S. Patent Office the Barcrest patent application and the Foto Fantasy system that Photo-magic's affiliate had used in 1990 and purchased in 1991—long before the '453 Patent application was filed.

Like the other questions presented in the Petition, this issue is fact-bound and case-specific, and it does not involve any recurring legal issue of national importance. The question involves only allegations about erroneous factual findings and the misapplication of well-settled law. The asserted error is non-consequential even to the outcome of this case. The district court's determination concerning inequitable conduct was an alternative finding of fact and conclusion of law that was not necessary to support the judgment entered below.

III. THIS CASE IS NOT A GOOD VEHICLE FOR CONSIDERING ANY OF THE QUESTIONS PRESENTED IN THE PETITION.

For a variety of reasons, this case is not an appropriate vehicle for considering any of the questions presented in the Petition. First, the judgment entered and affirmed in this case was based on multiple, independent legal determinations—invalidity based on prior art and obviousness; invalidity based on failure to comply with requirements of 35 U.S.C. § 112; non-infringement with respect to the specified "means for storing a frozen real time image;" and inequitable conduct. Because the judgment below could be affirmed on any one of these independent grounds, judicial review in this case would require the Court to review all of the district court's factual findings and conclusions of law.

Second, because the case was affirmed without an opinion, this Court would have to review the district court's findings of fact and conclusions of law without the benefit of any written analysis of the record and the legal issues by the Federal Circuit. In a fact-intensive patent case like this one, that would require the Court to conduct what amounts to a direct review of a judgment by a district court.

Third, judicial review by this Court would be pointless because Photomagic has waived any right to challenge the district court's legal conclusions concerning the validity of the Patent. On appeal to the Federal Circuit, Photomagic failed to challenge the district court's conclusion that the Patent was invalid under Photomagic's interpretation of "background" and "foreground" for failure to comply with the written description, enablement, and best mode requirements of 35 U.S.C. § 112. Because Photomagic has waived any right to attack this district court finding, this

Court would be compelled to affirm the Federal Circuit's judgment with respect to the issue of the Patent's invalidity.

CONCLUSION

The Petitioner asks this Court to grant review to engage in routine appellate review of the district court's findings of fact and conclusions of law and discretionary case management decisions. The Petition is without merit and should be denied.

Respectfully submitted,

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